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[CLICK HERE FOR CEO's REPORT DATED APRIL 13, 2011](#)

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[CLICK HERE FOR CEO'S FINAL RESPONSE DATED JULY 3, 2012](#)



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

July 30, 2010

To: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

BOND ASSISTANCE PROGRAM: STATUS UPDATE (ITEM NO. 3, AGENDA OF FEBRUARY 23, 2010)

On February 23, 2010, your Board directed my office, in coordination with the Treasurer and Tax Collector (TTC), Internal Services Department (ISD), Department of Public Works (Public Works), and Community Development Commission (CDC) to report back, on a bi-monthly basis, on the feasibility of establishing a Bond Assistance Program (BAP) that would provide County-supported Bond Guarantees and support securing a line of credit to local small, minority and woman-owned contractors.

We have engaged in discussions with several agencies, including the Los Angeles Unified School District (LAUSD), Los Angeles Community College District (LACCD), and Small Business Administration to gain insight about the structure of, and experiences they have had with, their BAP. Based upon these discussions, it is apparent that securing bonding is only one barrier to participation for this contractor community. The larger issue revolved around an overall lack of knowledge regarding public contracting requirements and basic small-business practices.

To successfully enhance the participation of the small, minority, and woman-owned contractor community in the County's capital construction program, it is becoming clear that a more holistic, education-based approach must accompany any bond or credit guarantees. Such an educational component that would provide the targeted contracting community with tools for navigating the public contracting process, including public contract law, labor compliance, safety, basics of bonding, and prequalification, is essential to their ultimate success. LAUSD accomplishes this through its Small Business Boot Camp.

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Each Supervisor
July 30, 2010
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Public Works is studying the LAUSD model to determine if the County can emulate such a program, or partner with LAUSD to provide the aforementioned educational component. We will also be meeting with the City of Los Angeles in the coming weeks to gain further insight on implementation of a successful BAP and other financial programs that can assist local small, minority and woman-owned contractors. We will provide an update on our progress in our next bi-monthly report.

Should you have any questions regarding this matter, your staff may contact Sabra White at (213) 974-1140.

WTF:BC:SK
DJT:SW:zu

Attachments

c: Executive Office, Board of Supervisors
 County Counsel
 Auditor-Controller
 Department of Public Works



County of Los Angeles
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WILLIAM T FUJIOKA
Chief Executive Officer

April 13, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
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Third District

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Fifth District

**REQUEST FOR EXTENSION OF REPORT BACK ON THE ESTABLISHMENT OF A
BOND ASSISTANCE PROGRAM**

On February 2010, your Board directed this office, in collaboration with the Treasurer and Tax Collector, Internal Services Department, Department of Public Works, and Community Development Commission to determine the feasibility of establishing a Bond Assistance Program that would provide County-supported bond guarantees to local, small, minority, and woman-owned contractors.

In response to your order, we have reviewed programs currently being implemented by the City/County of San Francisco, Alameda County, City of Los Angeles, and Los Angeles Community College District. We are also reviewing the viability of alternative programs that target similar program results. We anticipate that our analysis will be completed and program recommendations prepared for your consideration by June 30, 2011.

Should you have any questions in the interim, your staff may contact Jan Takata at (213) 974-1360 or Massood Eftekhari of the Department of Public Works at (626) 458-4016.

WTF:RLR
DJT:zu

c: Executive Office, Board of Supervisors
County Counsel
Internal Services
Public Works
Treasurer and Tax Collector



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MICHAEL D. ANTONOVICH
Fifth District

August 16, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

REQUEST FOR EXTENSION OF REPORT BACK ON THE ESTABLISHMENT OF A BOND ASSISTANCE PROGRAM (FEBRUARY 23, 2010, AGENDA ITEM NO. 3)

On February 23, 2010, your Board directed this Office, in collaboration with the Treasurer and Tax collector, Internal Services Department, Department of Public Works, and Community Development Commission to determine the feasibility of establishing a Bond Assistance Program that would provide County-supported bond guarantees to local, small, minority, and woman-owned contractors.

In response to your order, we have made significant progress in identifying models in other jurisdictions that could be modified for implementation in the County of Los Angeles. Currently we are exploring utilizing the Job Order Contract (JOC) process to recruit small and minority-owned businesses for a Business Boot Camp in conjunction with bond assistance. The City of Los Angeles and Los Angeles Unified School District currently have such a program that allows businesses the bond assistance and teaches them, in a year long program, the fundamentals of business management for sustainability. In addition, utilizing JOC as the vehicle for bond assistance, limits the County's exposure to \$200,000 to \$400,000 per contractor versus several millions that would be required to underwrite the entire project cost. Staff is now researching the Public Contract Code that may require a legislative change in stature to develop a program to limit bonding to work authorization. The Legislature is currently on recess but we are researching bills to which we could attach such a change in statute when it is back in session.

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The benefits of a comprehensive program that teaches fundamental business skills while keeping the contractor with steady work through JOC and support by bond assistance will produce viable, sustainable businesses that will be in a strong position to compete for future work and the addition of jobs. Additionally, we can graduate participants annually and bring in new recruits the following year with the same monetary investment.

We request an extension on reporting on this assignment until October 3, 2011 when we have had the opportunity to work with the State Legislature during the final sessions of this year.

Should you have any questions in the interim, your staff may contact Jan Takata at (213) 974-1360, or Massood Eftekhari of the Department of Public Works at (626) 458-4016.

WTF:RLR:os

c: Executive Office, Board of Supervisors
County Counsel
Community Development Commission
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WILLIAM T FUJIOKA
Chief Executive Officer

November 8, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
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REQUEST FOR EXTENSION OF REPORT: DISCUSSION OF THE POTENTIAL BOND ASSISTANCE PROGRAM STRUCTURES (AGENDA ITEM NO. 3, AGENDA OF FEBRUARY 23, 2010 MOTION)

On August 16, 2011, this office provided a status memorandum on our efforts to develop a Bond Assistance Program in response to your Board's direction. We reported that we were exploring the integration of a Bond Assistance Program with the County's Job Order Contract (JOC) process to optimize benefits to small, local, minority, and woman owned businesses. Further, we proposed linking participation in a Bond Assistance Program with participation in an educational component that would enhance fundamental business skills and help produce viable and sustainable businesses that would ultimately be better positioned to compete in the future.

Based upon comments we have received from some of your offices, we are currently developing alternative approaches to achieving the goals outlined by your Board's initial motion. We will be scheduling a special meeting with your budget and public works deputies during the first week in December to discuss these alternatives. We will incorporate your deputies' comments into our final report, which will be submitted to your Board in January 2012.

If you have any questions in the interim, your staff may contact Jan Takata, of this office, at (213) 974-1360, or Massood Eftekhari, of the Department of Public Works, at (626) 458-4016.

WTF:RLR

DJT:mc

c: Executive Office, Board of Supervisors
County Counsel
Community Development Commission
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Treasurer and Tax Collector

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WILLIAM T FUJIOKA
Chief Executive Officer

February 9, 2012

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

Board of Supervisors
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Fifth District

From: William T Fujioka
Chief Executive Officer

**REQUEST FOR EXTENSION OF REPORT:
DISCUSSION OF POTENTIAL BOND ASSISTANCE PROGRAM STRUCTURES
(ITEM NO. 3, AGENDA OF FEBRUARY 23, 2010 MOTION)**

On November 8, 2011, this office provided a status memorandum on our efforts to develop a Bond Assistance Program, as directed by your Board. We indicated that we planned to present a final report which integrated comments from your deputies, in January 2012.

We are revising our previous Board memo dated, January 25, 2012, to provide updated target dates for the report. We continue to finalize certain aspects of the report and now plan to share it with your deputies on March 8, 2012. If the report addresses your deputies' concerns, we will present the Program to your Board for consideration by May 29, 2012.

If you have any questions regarding this matter, please contact Jan Takata at (213) 974-1360, or Massood Eftekhari, of the Department of Public Works, at (626) 458-4016.

WTF:RLR
DJT:mc

c: Executive Office, Board of Supervisors
County Counsel
Community Development Commission
Internal Services
Public Works
Treasurer and Tax Collector



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WILLIAM T FUJIOKA
Chief Executive Officer

July 3, 2012

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

CAPITAL PROJECT BOND ASSISTANCE PROGRAM APPROVE DEVELOPMENT OF PILOT PROGRAM (ALL DISTRICTS) (3 VOTES)

SUBJECT

The recommended actions will authorize the establishment of a Bond Assistance Program, on a pilot basis, to enhance the participation of small contractors in the delivery and implementation of the County's Capital Project Program.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve the establishment of the proposed Bond Assistance Program and its integration, on a pilot basis, into the County's Capital Project Program with maximum program size of \$5,000,000 and a maximum collateral guarantee equal to the lesser of \$500,000, or 40 percent per individual bond.
2. Direct the Chief Executive Officer and Director of Public Works to prepare final program recommendations, including program administration requirements, roles and responsibilities of County staff, and contract terms for a third-party administrator and return to the Board for approval, execution, and/or award of any required documents by December 31, 2012.
3. Direct the Treasurer and Tax Collector to negotiate a Standby Letter of Credit in the amount of \$5,000,000 to secure the bonds to be underwritten by the proposed Bond Assistance Program and return to the Board for approval and execution of any required documents by December 31, 2012.

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

The purpose of the proposed Bond Assistance Program (BAP) is to increase the participation of small businesses and firms in County contracts related to the refurbishment and construction of County facilities and facilitate the growth of such firms by providing the ability to bond or augmenting their capacity to compete for higher-value contracts.

Background

The Board previously directed the Chief Executive Office (CEO) and other appropriate departments to study the feasibility of a bond assistance program that would provide County-supported bond guarantees to local small, minority, and woman-owned contractors.

Many small firms are unable to obtain required bonds for construction contracts because they lack the required collateral. As such, they are precluded from bidding for, or subcontracting on, construction contracts that exceed the bonding capacity established by their surety company. The proposed BAP will provide a County guarantee of collateral up to a certain amount. The County guarantee supplements the contractor's existing bonding capacity, which is based on prior performance history and credit score.

Bonding assistance programs are offered by many states. The extent and the type of assistance program vary from one state to the next. For example, the New York State Program provides credit support for up to 30 percent of the total contract amount. The Dallas Community College District Program provides only technical assistance for obtaining bonds. Most of the states and agencies do provide some type of credit support to enable small contracting firms to better compete. The following table summarizes the program sizes and guarantee limits of several local agency programs.

Bond Assistance Programs

Agency	Program Size	Guarantee Amount (Lesser of)
Los Angeles Unified School District	\$20 billion	40% of bond or \$200,000
City of Los Angeles (Public Works, POLA, LAWA)	\$ 4 million*	40% of bond or \$250,000
Los Angeles Community College District	\$ 7 billion	40% of bond or \$750,000

*Initial program size

Proposed Bond Assistance Program

Under the proposed BAP, the County would guarantee collateral for performance bonds in an amount equal to the lesser of 40 percent of the bond value or \$500,000. The maximum aggregate value for the overall program would not exceed \$5.0 million. The collateral guarantee would be secured by a \$5.0 million Standby Letter of Credit (LOC), against which the County would need to budget a reserve equal to 20 percent, or \$1.0 million. The level of the required reserve would be reviewed and adjusted each year based on the amounts that are actually drawn from the letter of credit during the prior fiscal year.

Participation in program would be limited to Certified Local Small Business Enterprises that are approved by the County's Office of Small Business in the Internal Services Department.

To ensure employees, subcontractors, and material suppliers are paid and accounted for in a timely and appropriate manner and that pre-claim resolution procedures that minimize or negate the need draw on the LOC are maintained and implemented, each of the other jurisdictions referenced in this letter that have established bond assistance programs, has employed a consultant as a third-party administrator. In this role, such consultants have also been tasked with:

- Providing participating contractors with assistance in the preparation of annual financial statements, including balance sheets, revenue and expenditure statements, cash flow projections, etc., that will be necessary to procure LOC's in the future;
- Assisting in program and community/contractor outreach activities to promote program participation; and
- Conducting bonding and financial management workshops.

For the proposed BAP, a third-party administrator would be selected through a competitive Request for Proposals process administered by the Department of Public Works (Public Works). The CEO and Public Works will return to the Board with final recommendations regarding program policies, procedures, and the selection of a third-party administrator by December 31, 2012.

The CEO and Treasurer and Tax Collector will also return to the Board with recommendations regarding the LOC, including terms, fees, and budgeted reserves by December 31, 2012.

Implementation of Strategic Plan Goals

The recommended actions will support the Board-approved County Strategic Plan Goals of Integrated Services Delivery (Goal 3) by improving community outcomes and leveraging resources through to enhancing competition in the delivery of County capital projects.

FISCAL IMPACT/FINANCING

Annual costs to implement and administer the proposed BAP, based on an overall program size of \$5,000,000 and maximum bond guarantees of \$500,000, are preliminarily estimated at \$1,196,500 as detailed below:

Standby Letter of Credit Commitment Fee (@ 1.25%)	\$ 62,500
Third-Party Administrator (1.0%)	50,000
Financial Statement Preparation (subsidy)	64,000
Community/Contractor Outreach & Training	20,000
LOC Budgeted Reserve (@ 20.0%)	<u>1,000,000</u>
Program administration	
Total	\$1,196,500

Final cost projections will be provided by the CEO, Public Works, and Treasurer and Tax Collector by December 31, 2012. The CEO will also present funding recommendations at that time.

ENVIRONMENTAL DOCUMENTATION

The proposed BAP is not a project under the California Environmental Quality Act (CEQA) because it is an activity that is excluded from the definition of a project by Section 15378(b) of the State CEQA Guidelines. The proposed actions are administrative activities of government that will not result in direct or indirect physical changes to the environment.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended actions will not have an adverse impact on County services or projects.

The Honorable Board of Supervisors
July 3, 2012
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CONCLUSION

Please return one adopted copy of this Board letter to the Chief Executive Office, Capital Projects Division, the Department of Public Works, and the Treasurer and Tax Collector.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR
DJT:zu

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Public Works
Treasurer and Tax Collector